

City of Leeds
Leeds, Alabama

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY FINANCIAL INFORMATION**

September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Leeds, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the City of Leeds, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leeds, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leeds, Alabama, as of September 30, 2012, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 be presented to supplement the basic financial statements. The City of Leeds has not presented management's discussion and analysis that United States generally accepted accounting principles has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leeds, Alabama's basic financial statements. The supplementary information for the years ended September 30, 2012 as listed in the Table of Contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory sections have not been subjected to the auditing procedures and, accordingly, we do not express an opinion or provide any assurance on them.

Self, Maples & Copeland, P.C.

Self, Maples & Copeland, P.C.

Leeds, Alabama

February 8, 2013

CITY OF LEEDS, ALABAMA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

		Primary Government Governmental Activities
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents		\$ 7,929,700
Accounts Receivable		1,103,379
		<u>9,033,079</u>
RESTRICTED ASSETS		
Cash and Cash Equivalents		<u>4,769,483</u>
NONCURRENT ASSETS		
Land and Construction in Progress		11,572,436
Other Capital Assets, Net of Accumulated Depreciation		17,269,633
Deferred Charges - Issuance Costs		<u>286,960</u>
		<u>29,129,029</u>
TOTAL ASSETS		<u>\$ 42,931,591</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

	Primary Government Governmental Activities
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	\$ 1,176,124
Accrued Expenses	1,493,148
Current Portion of Bonds Payable	510,000
	<u>3,179,272</u>
NONCURRENT LIABILITIES	
Bonds Payable, Net of Current Portion	14,055,000
Compensated Absences	323,753
	<u>14,378,753</u>
TOTAL LIABILITIES	<u>17,558,025</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	14,070,905
Restricted For:	
Highways and Streets	470,296
Debt Service	4,263,429
Industrial Development	59,769
Unrestricted	<u>6,509,167</u>
TOTAL NET ASSETS	<u>\$ 25,373,566</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Net (Expense) Revenue and Changes in Net Assets				
	Program Revenues				Primary Governmental Activities
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
Primary Government					
Governmental Activities					
General Government	\$ 2,375,122	\$ 479,356	\$ 416,734	\$ 101,087	\$ (1,377,945)
Street and Infrastructure	1,007,120	-	341,744	709,073	43,697
Inspections and Permits	154,397	-	-	-	(154,397)
Sanitation and Sewer	122,918	180,139	-	-	57,221
Public Safety	5,456,016	691,660	60,457	-	(4,703,899)
Library	387,970	-	-	-	(387,970)
Park and Recreation	573,360	-	-	-	(573,360)
Interest, Fees, and Pledged Revenues	4,022,432	-	-	-	(4,022,432)
	<u>14,099,335</u>	<u>1,351,155</u>	<u>818,935</u>	<u>810,160</u>	<u>(11,119,085)</u>
	<u>\$ 14,099,335</u>	<u>\$ 1,351,155</u>	<u>\$ 818,935</u>	<u>\$ 810,160</u>	<u>(11,119,085)</u>
General Revenues					
General Sales and Lodging Taxes					11,623,079
Property Taxes					1,082,435
Other Taxes					2,345,110
Licenses and Permits					2,310,010
Intergovernmental Revenues not Restricted					192,494
Interest					176,856
Forgiveness of Debt and Other Revenues					2,255,556
					<u>19,985,540</u>
Change in Net Assets					8,866,455
Net Assets - Beginning					16,507,111
Net Assets - Ending					<u>\$ 25,373,566</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

<u>ASSETS</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Current Assets				
Cash and Cash Equivalents	\$ 7,929,700	\$ -	\$ -	\$ 7,929,700
Accounts Receivable	1,077,132	-	26,247	1,103,379
Cash and Cash Equivalents - Restricted	597,141	3,666,288	506,054	4,769,483
TOTAL ASSETS	<u>\$ 9,603,973</u>	<u>\$ 3,666,288</u>	<u>\$ 532,301</u>	<u>\$ 13,802,562</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts Payable	\$ 1,173,888	\$ -	\$ 2,236	\$ 1,176,124
Accrued Expenses	1,323,777	-	-	1,323,777
	2,497,665	-	2,236	2,499,901
Fund Balances				
Committed for Debt Service	-	3,666,288	-	3,666,288
Restricted Reported In:				
Special Revenue Funds	-	-	470,296	470,296
General Fund	597,141	-	-	597,141
Other Governmental Funds	-	-	59,769	59,769
Unassigned Reported in General Fund	6,509,167	-	-	6,509,167
	7,106,308	3,666,288	530,065	11,302,661
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,603,973</u>	<u>\$ 3,666,288</u>	<u>\$ 532,301</u>	<u>\$ 13,802,562</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

Total Fund Balances for Governmental Funds	\$	11,302,661
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Total Net Assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	36,464,022	
Less Accumulated Depreciation	<u>(7,621,953)</u>	28,842,069

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Other related amounts include deferred debt issuance expenses and unamortized debt discount. All liabilities -- both current and long-term -- are reported in the statement of net assets.

Unamortized Debt Issuance Costs	\$	286,960	
Accrued Interest on Warrants Payable		(169,371)	
Bonds Payable		(14,565,000)	
Compensated Absences		<u>(323,753)</u>	<u>(14,771,164)</u>

Net Assets of Governmental Activities	\$	<u>25,373,566</u>
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 12,481,000	\$ 2,569,624	\$ 341,744	\$ 15,392,368
Intergovernmental	293,581	-	-	293,581
Licenses and Permits	2,310,010	-	-	2,310,010
Charges for Services	496,467	-	-	496,467
Fines and Forfeits	539,624	-	-	539,624
Rental Income	10,415	-	-	10,415
Interest	167,095	8,887	874	176,856
Grant & Other Miscellaneous	1,490,913	10,832	20,000	1,521,745
	<u>17,789,105</u>	<u>2,589,343</u>	<u>362,618</u>	<u>20,741,066</u>
EXPENDITURES				
General Government	2,427,463	-	2,680	2,430,143
Streets and Infrastructure	625,500	-	227,741	853,241
Inspections and Permits	154,397	-	-	154,397
Sanitation and Sewer	122,918	-	-	122,918
Public Safety	5,172,793	-	-	5,172,793
Library	387,970	-	-	387,970
Parks and Recreation	454,518	-	-	454,518
Capital Outlay	3,382,529	-	-	3,382,529
Debt Service				
Pledged Revenues	3,237,591	-	-	3,237,591
Principal	765,955	4,270,000	-	5,035,955
Interest and Fees	190,899	575,625	-	766,524
	<u>16,922,533</u>	<u>4,845,625</u>	<u>230,421</u>	<u>21,998,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>866,572</u>	<u>(2,256,282)</u>	<u>132,197</u>	<u>(1,257,513)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds Of Debt Issuance	-	-	-	-
Transfers From (To) Other Funds	<u>(2,042,068)</u>	<u>2,172,522</u>	<u>(130,454)</u>	<u>-</u>
	<u>(2,042,068)</u>	<u>2,172,522</u>	<u>(130,454)</u>	<u>-</u>
Change in Fund Balances	(1,175,496)	(83,760)	1,743	(1,257,513)
FUND BALANCES - Beginning	<u>8,281,804</u>	<u>3,750,048</u>	<u>528,322</u>	<u>12,560,174</u>
FUND BALANCES - Ending	<u>\$ 7,106,308</u>	<u>\$ 3,666,288</u>	<u>\$ 530,065</u>	<u>\$ 11,302,661</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (1,257,513)
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The change in Net Assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$3,382,529) exceeded depreciation (\$619,843) in the current period.	2,762,686
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Amortization of Debt Issuance Costs	(18,317)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This is the amount by which repayment of the principal of long-term debt exceeded the issuance of long term debt.	
Payment of Principal - General Obligation Warrants	4,270,000
Payment of Principal - Long-Term Debt	64,215
Payment of Principal - Capitalized Lease Obligation	455,037
Payment of Principal - Cooperative Agreement	246,703
Release of Liability and Refinance of Debt, Net	2,224,724

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The change in net assets differs from the change in fund balance by the increase in accrued interest (\$89,703) plus the decrease in compensated absences (\$208,623)	118,920
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Change in Net Assets of Governmental Activities	\$ 8,866,455
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leeds (City) was incorporated in 1887 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government as provided by Act No. 425 of the 1955 Alabama Legislature (The Mayor-Council Act).

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. The more significant of these accounting policies are described below.

Financial Reporting Entity

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units is combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The City has no discretely presented component units.

Blended Component Units - There is one blended component unit of the City of Leeds: the Leeds Commercial Development Authority (CDA). The financial information of the CDA has been blended with that of the City, because the CDA provides services entirely for the primary government.

Leeds Commercial Development Authority

The Leeds Commercial Development Authority was formed for the purpose of promoting commercial development in the City. The members of the CDA are appointed by the Leeds City Council. The CDA is presented as a governmental fund. Separate financial statements are not issued by the CDA.

Basic Financial Statements - GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements categorize primary activities as either governmental or business type. The City does not have any business type activities and all activities are classified as governmental.

In the government-wide statement of net assets, the governmental activities column is presented using the full accrual accounting basis and economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses, including depreciation, by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The operating grants include operating-specific and discretionary grants. The net costs are normally covered by general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

The government-wide statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements focus on the major funds in governmental categories. Non-major funds (by category or fund type) are summarized into a single column called non-major governmental funds.

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation.

Basis of Presentation - Fund-Level Financial Statements

Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

Governmental Funds

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

Debt Service Fund - To account for the accumulation of resources for and the payment of interest and principal on general long-term debt. Debt service revenues are generally transfers from other governmental funds and interest income.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Additionally, the City reports the following fund types as other governmental funds:

Special Revenue Funds – Gasoline Tax Fund - The State Gasoline Tax Funds receive revenues from the State 4-cent, 5-cent, 7-cent gasoline tax, 2-cent Inspection Fee on motor fuels, the State Motor Vehicle, and the additional excise tax. These funds are restricted for the repair and maintenance of the Town's streets and street lights.

Interfund balances and transfers have been eliminated from the government-wide financial statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the modified accrual basis, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Revenues are considered available to finance expenditures of the current period if collected within 60 days after the end of the period. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Cash and Cash Equivalents

As of September 30, 2012, the City's bank deposits were insured through the Federal Depository Insurance Corporation (FDIC) or were covered by the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

The City's investments, which are all in restricted bond accounts, are direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Credit Risk – The City’s investment policy is to apply the “prudent investor” standard. “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The City’s investments are invested in U.S. government issues or U.S. guaranteed obligations.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. However, the City’s investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments.

Restricted Cash and Cash Equivalents

Restricted assets include cash and cash equivalents restricted either for repairs and maintenance of roads and highways or for debt service. Funds held in escrow accounts deposited with a trustee totaled \$1,101,060 at September 30, 2012. Funds held in bank accounts that receive the restricted road taxes and the additional one cent sales tax enacted in 2006 for repayment of long-term debt totaled \$446,285 and \$2,565,232, respectively at September 30, 2012.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: buildings, 25 to 60 years; streets and infrastructure, 15 to 60 years; and furnishings and equipment, 10 to 15 years.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund-level financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An unlimited amount of sick time may be carried forward, but the maximum that may be paid out upon retirement or termination is one-half of sixty days' pay. A maximum of 320 vacation hours may be carried forward each year. Compensated absences are not recorded as a liability in the governmental funds because expenditures related to compensated absences are recorded only when payment is due.

Net Assets

Beginning in the fiscal year 2010, the City implemented GASB Statement "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

City Council establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for a specific purpose.

Budgets and Budgetary Accounting

Formal integration of budgets is used as a management control device during the year for the General Fund and the Debt Service Fund. These budgets are adopted on the cash basis of accounting. Since the financial statements are prepared on a basis consistent with U.S. generally accepted accounting principles (modified accrual), there may be some timing differences between the budgetary data and financial statement data; however, these would be immaterial. The Mayor and Council approve the budgets. For the year ended September 30, 2012, total amended budgeted inflows for the General Fund were \$17,773,806 and total budgeted outflows were \$19,238,190. The amended budgeted inflows for all funds were \$20,977,813 and total budgeted outflows were 20,493,760.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Reclassifications

Certain reclassifications have been made in the prior year amounts to conform to the classifications used in the current year. These reclassifications had no effect on fund balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - PROPERTY TAX CALENDAR

Property taxes are collected and remitted to the City by the Jefferson, St. Clair and Shelby County governments. Taxes are levied annually on October 1 and are due December 31 of that year. Major tax payments are received October through January, and are recognized as revenue in the year received.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable at September 30, 2012 consists of the following:

	General Fund	Special Revenue Fund	Balance September 30, 2012
Taxes, Costs, and Surcharges			
Sales Tax	\$ 775,775	\$ -	\$ 775,775
Tobacco Tax	2,775	-	2,775
Gasoline Tax	-	26,247	26,247
Wine and Beer Tax	7,997	-	7,997
Court Fines and Costs	40,864	-	40,864
Sanitation Fees	13,785	-	13,785
Occupational Tax	87,694	-	87,694
Ad Valorem Tax	16,253	-	16,253
Motor Vehicle Tax	7,319	-	7,319
Franchise Tax	27,842	-	27,842
Surcharge	14,642	-	14,642
Lodging Tax	11,917	-	11,917
Rental Tax	7,827	-	7,827
Use Tax	62,442	-	62,442
	<u>\$ 1,077,132</u>	<u>\$ 26,247</u>	<u>\$ 1,103,379</u>

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 4 - TRUSTEED FUND ASSETS

In accordance with the provisions of the General Obligation Warrant issues, the City is required to make monthly installments to escrow accounts for semi-annual interest and principal maturities. The escrow accounts are comprised of money market accounts. Additionally, some of the monies received from the issuance of the 2006 and 2011 General Obligations Warrants are held in an escrow account. As of September 30, 2012, \$1,101,060 had been accumulated in the escrow accounts for these purposes and is included in restricted assets on the Statement of Net Assets.

The City had the following cash and cash equivalents and maturities at September 30, 2012:

Security	Amount	Maturity
Cash and Cash Equivalents Held with Trustee		
Trust Money Market Deposit Fund	\$ 737,710	Less than 1 year
Federal Treasury Money Market Funds	<u>363,350</u>	Less than 1 year
Total	<u>\$ 1,101,060</u>	

NOTE 5 - NOTE RECEIVABLE

On May 24, 2007, the City issued its Taxable General Obligation Warrants, Series 2006-A, in the amount of \$24,300,000 to provide financing for the benefit of Bass Pro Alabama Development Company, LLC (the Company) pursuant to a Trust Indenture dated as of May 1, 2006, between the City and Regions Bank (the Trustee). The City loaned the sum of \$24,300,000 to the Company and has received from the Company an interest bearing note. The City and Company were released of this obligation upon restructure of the Taxable General Obligation Warrants, Series 2006-A dated August 1, 2011 as described in Note 15. Upon restructure the warrants became a limited obligation of the city and will be repaid solely from pledged sales tax revenues generated by retail sales at the Bass Pro location.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Disposals	Balance September 30, 2012
Depreciable assets				
Buildings	\$ 2,765,805	\$ 46,985	\$ -	\$ 2,812,790
Streets and infrastructure	11,321,718	5,557,769	-	16,879,487
Furnishings and equipment	4,687,547	511,762	-	5,199,309
	18,775,070	6,116,516	-	24,891,586
 Less accumulated depreciation				
Buildings	1,027,320	58,754	-	1,086,074
Streets and infrastructure	2,920,287	192,454	-	3,112,741
Furnishings and equipment	3,054,503	368,635	-	3,423,138
	7,002,110	619,843	-	7,621,953
 Total capital assets being depreciated	11,772,960	5,496,673	-	17,269,633
 Non-depreciable assets				
Land	10,128,998	-	-	10,128,998
Construction in Progress	4,177,424	2,085,763	4,819,749	1,443,438
	14,306,422	2,085,763	4,819,749	11,572,436
	\$ 26,079,382	\$ 7,582,436	\$ 4,819,749	\$ 28,842,069

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 63,899
Streets and infrastructure	153,879
Public safety	283,223
Parks and recreation	118,842
	<u>\$ 619,843</u>

NOTE 7 - DEFINED BENEFIT PENSION PLAN

The City of Leeds is a participant in The Employees' Retirement System of Alabama (the System). All full-time employees of the City, who elected when the City initially joined, participate in the System that is an agent multiple-employer public employee retirement system. The System acts as a common investment and administrative agent for the various state agencies and departments.

Contributions into the retirement program for the employee and the City are based upon the employee's compensation, which is determined by the City Council. While all new full-time employees (except those who are sixty years of age or older at the time of initial employment) are automatically enrolled as active members of the System, temporary and part-time employees are also eligible to participate if they work thirty hours or more per week.

The City assumes pension or retirement liability only for those employees required by state statute to participate in the System. Regular covered employees are required to contribute five percent of their salary to the plan, while the contribution rate for certified full-time firefighters and law enforcement officers is six percent of employee compensation. The City is required to contribute the remaining amounts necessary to pay benefits when due, as determined by actuarial computations.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Vested employees may retire at or after age sixty or at any age if they have completed twenty-five years of credited service and receive full benefits. Employees have the option of retiring before age sixty and receiving retirement at reduced rates. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System of Alabama acts only in an administrative capacity. It does not undertake to fund the retirement plan; neither is the System liable for contributions to the plan. The System is not obligated to pay benefits for which reserves have not been previously contributed by the

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLAN - Continued

City and its employees. Contribution provisions to the System are irrevocable to the City and its employees unless the City elects to withdraw from the System by mutual agreement with its employees. The City is also obligated to appropriate funds to the System sufficient to provide reserves to existing retirees and beneficiaries from the City if withdrawal from the System occurs. Investments are not specifically assigned to individual employer organizations; however, each employer is treated individually in determining assets available to pay benefits and pension benefit obligations. The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission of the Employees' Retirement System of Alabama the authority to accept or reject various Cost-Of-Living-Adjustments (COLA's) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to: The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36104-0001.

The actuarial accrued liability exceeded actuarial value of assets by \$4,823,466 at September 30, 2012, the date of the most recent actuarial valuation. The significant assumptions used in the valuation are as follows:

1. The valuation was prepared using the entry age normal actuarial cost method.
2. An eight percent interest rate was used for determining a return of the investment of present and future assets of the System.
3. Since the previous valuation, there have been no changes in the actuarial-cost method and there have been no amendments to the System affecting the valuation.
4. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized within a twenty seven year period using the level percent open method.

The System's funding policy provides for actuarially determined contribution requirements based on the projected benefit basis. The significant actuarial assumptions used for this purpose are not the same as those used to compute the pension benefit obligations. The employer contribution required to support the benefit is determined by using a level-funding approach, and consists of a normal contribution and an accrued-liability contribution.

The "entry-age-normal" method is used to compute the normal contribution (or cost). The method provides for a uniform or constant percentage rate to be applied to compensation of members which, when averaged over anticipated covered service and included with the members' contributions, will meet the cost of all benefits payable.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLAN - Continued

The unfunded accrued liability contribution (or cost) is determined by subtracting the present value of prospective employer normal contributions and member contributions together with the current assets held from the present value of expected benefits to be paid from the System. The unfunded accrued liability is being amortized over a rolling thirty-year period. The significant assumptions used by the System to support the funding policy are as follows:

- A rate of return of eight percent per annum compounded annually on the investment of present and future assets.
- Projected salary increases, based on age, ranging from 3.75% to 7.75%.
- Probabilities of a member's death, disability, withdrawal, and service retirements based on age and sex.

The contribution based on the System's funding policy for the year 2012 was made in accordance with an actuarial valuation performed as of September 30, 2011. Based on the System's confirmation, the contribution consisted of: a) employees' contributions of five percent (or six percent, if applicable) of covered payroll; b) normal cost of 4.09% of covered payroll; c) administrative and other costs of 8.31% of covered payroll. In aggregate, the City contributed 12.40% of covered payroll.

Trend information for the retirement plan was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2009	\$381,102	100%	\$ 0
2010	\$391,619	100%	\$ 0
2011	\$408,607	100%	\$ 0

As of September 30, 2011, the most recent actuarial valuation date, the plan was 64.9% funded. The actuarial accrued liability for benefits was \$13,733,691, and the actuarial value of assets was \$8,910,225, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,823,466. The covered payroll was \$3,668,826, and the ratio of the UAAL to the covered payroll was 131.5%.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)¹	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
9/30/06 ²	\$9,205,185	\$11,683,165	\$2,477,980	78.8%	\$2,446,154	101.3%
9/30/07	\$9,533,420	\$12,009,041	\$2,475,621	79.4%	\$2,648,742	93.5%
9/30/08	\$9,614,923	\$12,517,232	\$2,902,309	76.8%	\$3,171,208	91.5%
9/30/09	\$9,525,681	\$12,797,077	\$3,271,396	74.4%	\$3,416,379	95.8%
9/30/10 ³	\$9,291,575	\$13,259,672	\$3,968,097	70.1%	\$3,300,664	120.2%
9/30/10 ^{3,4}	\$9,291,575	\$13,300,005	\$4,008,430	69.9%	\$3,300,664	121.4%
9/30/11 ⁵	\$8,910,225	\$13,733,691	\$4,823,466	64.9%	\$3,668,826	131.5%
9/30/11 ^{4,5}	\$9,910,225	\$13,768,237	\$4,858,012	64.7%	\$3,668,826	132.4%

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 7 - DEFINED BENEFIT PENSION PLAN - Continued

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978

² Reflects changes in actuarial assumptions

³ Reflects impact of Act 2011-27

⁴ Reflects impact of Act 2011-27 as well as Act 2011-676

⁵ Reflects changes in actuarial assumptions

The required schedule of funding progress above presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2011.

NOTE 8 - BONDS PAYABLE

The bonds payable consisted of the following at September 30, 2012:

3.40% to 5.75% General Obligation Warrants Series 2002A, dated September 30, 2002, maturing August 1, 2022	\$ 3,690,000
5.35% to 5.60% General Obligation Warrants Series 2006B, dated May 1, 2007, maturing June 1, 2028	1,490,000
2.00% to 4.25% General Obligation Warrants Series 2011A, dated November 1, 2011, maturing November 1, 2031	6,230,000
1.10% to 4.25% General Obligation Warrants Series 2011B, dated November 1, 2011, maturing November 1, 2031	3,155,000
	<u>14,565,000</u>
Less current portion	510,000
	<u>\$ 14,055,000</u>

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 8 - BONDS PAYABLE - Continued

A summary of changes in bonds payable for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012	Due Within One Year
General Obligation Warrants Series 2002A	3,955,000	-	265,000	3,690,000	280,000
General Obligation Warrants Series 2002B	2,385,000	-	2,385,000	-	-
General Obligation Warrants Series 2006B	1,985,000	-	495,000	1,490,000	40,000
General Obligation Warrants Series 2006C	6,085,000	-	6,085,000	-	-
General Obligation Warrants Series 2011A	-	6,230,000	-	6,230,000	100,000
General Obligation Warrants Series 2011B	-	3,155,000	-	3,155,000	90,000
	<u>\$ 14,410,000</u>	<u>\$ 9,385,000</u>	<u>\$ 9,230,000</u>	<u>\$ 14,565,000</u>	<u>\$ 510,000</u>

Principal and interest requirements of the bonds payable for the years ending September 30 are as follows:

	Principal	Interest
2013	\$ 510,000	\$ 637,464
2014	535,000	615,894
2015	555,000	592,597
2016	605,000	567,990
2017	740,000	539,642
2018 – 2022	4,140,000	2,004,392
2023 – 2027	2,365,000	1,303,619
2028 – 2032	2,180,000	811,940
2033 – 2037	2,935,000	298,490
	<u>\$ 14,565,000</u>	<u>\$ 7,372,028</u>

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 9 - CAPITAL LEASES

The City has leased public safety equipment under the provisions of long-term lease agreements. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized. The leases expire between June 2014 and July 2015, however the city opted to prepay the leases in fiscal year 2012. The leased property under the capital leases, as of September 30, 2012, had a cost of \$834,736. Amortization of the leases is included in depreciation expense. Accumulated amortization on the leases totaled \$257,774 at September 30, 2012.

A summary of changes in capital leases for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012
Bank – fire truck	\$ 143,840	\$ -	\$ 143,840	\$ -
Bank – fire truck	181,350	-	181,350	-
Bank – fire truck	129,847	-	129,847	-
	<u>\$ 455,037</u>	<u>\$ -</u>	<u>\$ 455,037</u>	<u>\$ -</u>

NOTE 10 - OTHER LONG-TERM DEBT

A summary of changes in other long-term debt for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Retirements & Cancellation	Balance September 30, 2012
Cooperative District – Moody Note 12	\$ 1,545,641	\$ -	\$ 1,545,641	\$ -
Cooperative District – St. Clair County. Note 12	2,000,000	-	2,000,000	-
Cooperative District – St. Clair County- Grand River. Note 12	700,000	-	700,000	-
Line of Credit - Bank	2,400,000	-	2,400,000	-
	<u>\$ 6,645,641</u>	<u>\$ -</u>	<u>\$ 6,645,641</u>	<u>\$ -</u>

NOTE 11 – CONTINGENCIES

Legal contingencies:

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business.

Other contingencies:

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant.

Leeds Water Works Board Note:

On October 30, 2009, pursuant to the Fifth Agreement, the City issued a promissory note to the Leeds Water Works Board (LWWB) in the amount of \$450,000 in satisfaction of claims the LWWB held against the City for water service improvements servicing the retail developments within the District. The City will be required to make annual installments of \$45,000 each July 1, starting on July 1, 2010. The note bears no interest unless payments are more than 120 days delinquent, at which point the payment due will bear interest at the rate of five percent. The balance on the note as of September 30, 2012 was \$315,000. The next payment of \$45,000 on this note is due July 1, 2013.

NOTE 12 - COOPERATIVE DISTRICT AGREEMENT

During the year ended September 30, 2007, the City entered into certain revenue sharing and debt guarantee agreements with the City of Moody and St. Clair County and created the Cooperative District of the City of Leeds - General (the District). These agreements, which have been subsequently amended, required in effect that tax revenue received by the City from Bass Pro Shops, Inc. be shared with the City of Moody and St. Clair County in exchange for their sharing in the guarantee of the Series 2006A, B, and C General Obligation Warrants issued by the City of Leeds (Bass Pro Warrants). The revenue sharing and debt guarantee were divided 50% to the City of Leeds, 25% to the City of Moody, and 25% to St. Clair County. The tax revenue received from Bass Pro Shops, Inc. is to be used to service the debt until all principal and interest payments have been made, after which, the tax revenues were to be shared according to the agreement. However, the Bass Pro Warrants are general obligations of the City and are secured by a pledge of the City's full faith and credit. Thus, if either the City of Moody or St. Clair County was ever unable to make payment in full of any amount owed by it under its agreements with the City, the City would still be required to pay debt service on the Bass Pro Warrants out of its own available taxes and other revenues.

On July 31, 2009, the District entered into an agreement (Development Agreement) with Leeds Retail Center, LLC to support the development of a retail shopping center (Grand River) near the Bass Pro Shops development. The City later entered into an amended and restated agreement (Amended Agreement) with the City of Moody (Moody), St. Clair County (SCC), the Water Works Board of the City of Leeds (LWWB), and the Commercial Development Authority of the City of Leeds (CDA). The Amended Agreement, in effect, added the Grand River development and other retail development to the revenue sharing and debt guarantee agreement. Additionally, the Amended Agreement set forth requirements for infrastructure improvements to be made as a part of the proposed developments. Costs for these improvements were to be shared in the same proportion as the revenues and debt guarantees.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 12 - COOPERATIVE DISTRICT AGREEMENT - Continued

During the year ended September 30, 2009, the City entered into the Fifth Amended and Restated Development and Cooperative Agreement (Fifth Agreement). The Fifth Agreement was entered into in order to quantify the maximum amounts payable thereunder and to provide that Moody and SCC be relieved of certain obligations for improvement of infrastructure. Under the Fifth Agreement, the City bears full responsibility for the cost of improving infrastructure that services the various developments included in the Amended Agreement. Additionally, the City will de-annex from its city limits the Alabama Auto Auction property, in order for it to be annexed into the City of Moody. Finally, the City agreed to pay certain amounts to SCC and Moody in order to entice them to terminate the original and amended agreements. In exchange for the incentives provided, Moody and SCC have agreed to terminate the cooperative district upon payment of the incentives and the complete retirement of all bonds for which the tax revenues of the cooperative district were pledged.

The City exited the cooperative agreement in fiscal year 2012. Upon exiting this agreement, the City was relieved of notes payable, as discussed in Note 10, to St. Clair County in the amount of \$2,700,000 and the City of Moody in the amount of \$1,545,681. As a term of this restructuring, the City is required to pay St. Clair County and the City of Moody \$123,390 each and satisfied that amount prior to year end.

NOTE 13 – LEEDS PUBLIC EDUCATION BUILDING AUTHORITY (PEBA)

The Leeds Public Educational Building Authority (PEBA) was formed for the purpose of managing the assets and revenue bonds used to build new schools for the City of Leeds Board of Education (Leeds BOE). The members of the board of directors of PEBA are appointed by the City of Leeds and a portion of the debt service on the 2008 Educational Facilities Revenue Bonds is to be repaid by PEBA with certain pledged tax revenues it receives from the City of Leeds. Remittance by the City of Leeds of such tax revenues was initially anticipated to begin in 2012 and end in 2038. However, this obligation does not begin until the City's General Obligation Warrants Series 2000A & B and Series 2002A & B are repaid in full. The City's obligation is limited to providing a portion of the City's supplemental sales and use tax revenues (with a general rate of one cent) and occupational tax (with a rate of one cent) to PEBA as a credit against the lease payments required to be paid to PEBA by the Leeds BOE. The lease payments required to be paid to PEBA by the Leeds BOE are equal to the debt service each year on the 2008 Educational Facilities Revenue Bonds. Leeds BOE is required to pay the difference in lease payments if the City's pledged tax revenues are insufficient to cover the debt service on those bonds.

NOTE 14 - GRAND RIVER LIMITED OBLIGATION WARRANTS

In an Indenture of Trust dated October 30, 2009, the District authorized the issuance, execution, and delivery of the Limited Obligation taxable warrants, Series 2009 in the amount of \$23,000,000. These 2009 Bonds are a limited obligation of the City and will be repaid solely from pledged sales tax revenues generated by retail sales at Grand River. The 2009 Bonds bear an interest rate of 8.5% and are payable each January 15, April 15, July 15, and October 15 starting on October 15, 2011. The 2009 Bonds mature on August 1, 2031. Variable payments will begin on October 15, 2011 and will be made based on the amount of pledged taxes collected each quarter. Payments will continue until all principal has been returned and any accrued interest has been paid.

CITY OF LEEDS, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 14 - GRAND RIVER LIMITED OBLIGATION WARRANTS - Continued

As part of the funding agreement it states that Grand River will reduce the amount of the municipal service reduction provided for in the Bass Pro Funding agreement. The reduction of the municipal service reduction is to be reimbursed to the City of Leeds at such time as pledged revenues from Grand River are sufficient to pay the debt service of the limited obligation debt. If there are insufficient revenues to cover the debt service the City accrues the amount of the municipal service reduction by Grand River with no interest. The amount due to the City of Leeds from Grand River at September 30, 2012 is \$422,362.

NOTE 15 - RESTRUCTURED SERIES 2006-A LIMITED OBLIGATION WARRANTS

In an Indenture of Trust dated August 1, 2011, the City restructured the 2006-A Series warrants from general obligation of the City to taxable limited obligation warrants. The remarketed Series A Warrants are limited obligations of the City payable solely from the City's sales and use taxes generated from the sales at the Bass Pro store and certain nearby property, the Series A Letter of Credit, and a standby letter of credit issued by JP Morgan Chase Bank, N.A. The net effect of the reissuance of the Remarketed Series A Warrants as a limited obligation of the City is that the City's general fund can no longer be called upon by either Bass Pro Alabama or Regions Bank, either as a credit obligor or as trustee, to pay debt service on the Remarketed Series A Warrants. Payments will continue until all principal has been returned and any accrued interest has been paid.

NOTE 16 - SUBSEQUENT EVENTS

Financial Statements

Subsequent events related to the City have been evaluated through February 8, 2012, which is also the date of the auditors' report and the date the financial results were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEEDS, ALABAMA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 12,150,681	\$ 12,145,154	\$ 12,481,000	\$ 335,846
Intergovernmental	175,000	175,000	293,581	118,581
Licenses and Permits	2,053,150	2,053,150	2,310,010	256,860
Charges for Services	462,000	462,000	496,467	34,467
Fines and Forfeits	435,000	435,000	539,624	104,624
Rental Income	800	800	10,415	9,615
Interest	117,100	117,100	167,095	49,995
Miscellaneous	2,385,602	2,385,602	1,490,913	(894,689)
	17,779,333	17,773,806	17,789,105	15,299
EXPENDITURES				
General Government	3,373,780	3,621,121	2,427,463	1,193,658
Streets and Infrastructure	637,350	663,446	625,500	37,946
Inspections and Permits	164,800	167,175	154,397	12,778
Sanitation and Sewer	174,500	174,500	122,918	51,582
Public Safety	5,316,676	5,263,576	5,172,793	90,783
Library	365,920	365,920	387,970	(22,050)
Parks and Recreation	609,817	612,317	454,518	157,799
Capital Outlay	2,332,019	3,375,306	3,382,529	(7,223)
Debt Service	4,748,050	4,994,829	4,194,445	800,384
	17,722,912	19,238,190	16,922,533	2,315,657
Excess of Revenues Over Expenditures	56,421	(1,464,384)	866,572	2,330,956
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt Issuance	-	-	-	-
Transfers To Other Funds	-	-	(2,042,068)	(2,042,068)
	-	-	(2,042,068)	(2,042,068)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	56,421	\$ (1,464,384)	\$ (1,175,496)	288,888

SUPPLEMENTARY INFORMATION

CITY OF LEEDS, ALABAMA
SCHEDULE OF BONDS PAYABLE
SEPTEMBER 30, 2012

Year Ended September 30	General Obligation Warrants, Series				
	2002 A	2006 B	2011 A	2011 B	Total
2013	\$ 280,000	\$ 40,000	\$ 100,000	\$ 90,000	\$ 510,000
2014	300,000	45,000	100,000	90,000	535,000
2015	315,000	50,000	100,000	90,000	555,000
2016	335,000	75,000	100,000	95,000	605,000
2017	355,000	80,000	100,000	95,000	630,000
2018	375,000	85,000	210,000	100,000	770,000
2019	395,000	95,000	215,000	100,000	805,000
2020	420,000	100,000	220,000	105,000	845,000
2021	445,000	105,000	225,000	105,000	880,000
2022	470,000	115,000	230,000	110,000	925,000
2023	-	120,000	235,000	110,000	465,000
2024	-	180,000	245,000	115,000	540,000
2025	-	190,000	255,000	120,000	565,000
2026	-	210,000	260,000	125,000	595,000
2027	-	-	270,000	125,000	395,000
2028	-	-	280,000	130,000	410,000
2029	-	-	290,000	135,000	425,000
2030	-	-	300,000	140,000	440,000
2031	-	-	315,000	150,000	465,000
2032	-	-	325,000	155,000	480,000
2033	-	-	340,000	160,000	500,000
2034	-	-	355,000	165,000	520,000
2035	-	-	370,000	175,000	545,000
2036	-	-	385,000	180,000	565,000
2037	-	-	405,000	190,000	595,000
	<u>\$ 3,690,000</u>	<u>\$ 1,490,000</u>	<u>\$ 6,230,000</u>	<u>\$ 3,155,000</u>	<u>\$ 14,565,000</u>